

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 AGR-20 IGA-02 COME-00

OMB-01 TRSE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

RSR-01 /138 W

----- 003694

P R 200130Z JUL 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 4858

INFO AMEMBASSY PHNOM PENH

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 SAIGON 13105

E.O. 11652: N/A DECLAS 12/31/73

TAGS: EAGR, VS

SUBJECT: RICE SITREP FOR JUNE 1973

JOINT EMBASSY/USAID MESSAGE

REF: A. SAIGON 12985 B. SAIGON 11301

C. SAIGON 12953 D. SAIGON 2928

1. SUMMARY STOCK LEVELS IN AHNE ARE STILL FOLLOWING PROJECTIONS, BUT
DELTA DELIVERIES IN JULY ARE CONSIDERABLY SLOWER THAN EXPECTED IN WHAT

HAS BECOME A LARGELY SPECULATIVE MARKET. REF A CONTAINS
DISCUSSION OF FACTORS WHICH HAVE CREATED THIS CONDITION.
IN ADDITION TO CURRENT EXPECTED IMPORTS AND RICE DIVERTED
KOREA TO VIETNAM MISSION SEES CLEAR NEED FOR 70,000 MT
TO 100,000 MT ADDITIONAL IMPORTS DURING NOVEMBER AND DECEMBER
TO PERMIT ADEQUATE STOCK LEVELS AND KEEP PRICES IN REASONABLE RANGE.
DIVERSION OF RICE TO CAMBODIA NEARLY COMPLETED PADDY
PRICES AND ALL TYPES RICE PRICES IN EXTRAORDINARY UPWARD SPIRAL.

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END SUMMARY.

2. END JUNE SAIGON/CVN STOCKS (000 MT)

SAIGON IMPORTED	61.4
SAIGON DOMESTIC	8.5
SAIGON PRIVATE	11.8
DEFICIT PROVINCES	68.1
	149.8

3. APPARENT JUNE CONSUMPTION (000 MT)

END MAY STOCKS	117.3
DELTA DELIVERIES	40.2
IMPORTS	52.3#
TOTAL AVAILABLE	209.8
MINUS END OF JUNE STOCKS	149.8
EQUALS APPARENT CONSUMPTION	60.0

10 FROM PA 45-734, 24.3 FROM PA 45-736, 18 FROM PA 45-737

4. END OF JUNE STOCK LEVEL IS ABOUT AS EXPECTED. DELTA DELIVERY AND APPARENT CONSUMPTION FIGURES AGAIN WERE BELOW EXPECTATIONS, BUT STILL LARGELY OFFSETTING. DELTA DELIVERIES FOR JULY ARE RUNNING SOME 25 PERCENT BELOW PROJECTIONS WITH SPECULATION IN RICE AND PADDY SPREADING THROUGHOUT MARKETING CHAIN. DISCUSSION FACTORS THAT CREATED THIS CONDITION CONTAINED REF A. SAIGON PRIVATE STOCKS ARE LOWEST SINCE EARLY FEBRUARY. MOST AFFECTED BY DELAYS IN DELTA DELIVERIES ARE PRIVATE SECTOR SHIPMENTS TO CENTRAL VIETNAM WHICH TOTALLED 9530 MT IN JUNE, BUT ONLY 400 MT FOR JULY THROUGH JULY 18. THE 1973 MONTHLY AVERAGE THROUGH JUNE IS 7740 MT. MOE PLANS TO RESPOND TO SITUATION BY FIRST RAISING GOVERNMENT SELLING PRICES SUBSTANTIALLY AND THEN EMPLOYING GOVERNMENT STOCKS TO STABILIZE MARKET WITH PARTICULAR EMPHASIS ON CENTRAL VIETNAM. THIS WILL BE REPORTED SEPTTEL WHEN DETAILS ARE WORKED OUT.

5. PL-480 IMPORTS FOR CY 1973 THROUGH JUNE TOTAL 224,400 MT AND AN APPROXIMATE 349000 MT MORE IS ON THE WAY FOR A TOTAL OF 258,400 MT IS SCHEDULED FROM THE CURRENT PL-480 TITLE I RICE AGREEMENT FOR 265,000 MT. 47,355 MT ARE SCHEDULED FOR DIVERSION FROM KOREA, 20,000 OF WHICH TO REPLACE RICE SENT BY GVN TO GKR AND 27,355 MT TO BUILD GVN STOCKS. PROMPT COMPLETION OF THE LIMITED OFFICIAL USE

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KOREAN RICE DIVERSION IS ESSENTIAL AND IS DISCUSSED REFS A, B AND C. ADDITIONALLY, IMPORT ARRIVALS OF SOME 70,000 MT NOVEMBER AND DECEMBER WILL BE NEEDED JUST TO MAINTAIN MINIMUM STOCK LEVELS. LAST FEBRUARY IS REF D AN IMPORT REQUIREMENT LEVEL OF 375,000 MT FOR CY 1973 WAS SELECTED AS THE MINIMAL ACCEPTABLE LEVEL. THIS CONTINUES TO APPEAR TO BE TRUE. LIKELY REAL PRICE INCREASE AT THAT LEVEL WAS ESTIMATED AT 13 TO 18 PERCENT. IN VIEW OF THIS AND AS POINTED OUT REF A MISSION REQUESTS EVERY

EFFORT BE MADE TO PROVIDE 20 TO 40,000 MT ADDITIONAL IMPORT
IN NOVEMBER AND TOTAL OF 100,000 MT FOR NOVEMBER AND DECEMBER
COMBINED.

6. BASED ON ONGOING DELTA DELIVERY, CONSUMPTION AND IMPORT
DATA, KOREAN
AND COMBODIAN RICE DIVERSIONS, AND EXPECTATIONS
OF SOME 75,000 MT ADDITIONAL IMPORTS IN DECEMBER, OUR PROJECTION
LOOKS TO BE AS FOLLOWS:

	JUNE(1)	JULY	AUG	SEP	OCT	NOV	DEC
BEGINNING STOCK	117.3	150	127	109	93	69	31
DELTA DELIVERIES	40.2	45	30	25	30	30	30
IMPORTS	52.3	20	20(3)	27(3)	14	0	75
TOTAL AVAILABLE	209.8	215	177	161	137	99	136
DESAPPEARANCE	-60.0	-88(2)	-68	-68	-68	-68	-68
END STOCK	149.8	127	109	93	69	31	68

(1) JUNE ACTUAL FIGURES, JULY THROUGH DECEMBER PROJECTIONS.

(2) 20 TO CAMBODIA

(3) DIVERSION KOREA TO VIETNAM

7. DIVERSION OF 20,000 MT VIETNAM TO CAMBODIA NEARLY COMPLETE.
DIVERSION 47,355 MT KOREA TO VIETNAM BEING HELD UP FOR WASHINGTON
APPROVAL. REF C DISCUSSES THIS. AGREEMENT BETWEEN GVN AND GKR
MAY TAKE UP TO TWO WEEKS MORE AND SHOULD NOT BE CONDITION FOR
GVN/ROKG AGREEMENT.

3. PRICES

A. DELTA PADDY AT THE MILL (WEIGHTED AVERAGE PER 100 KILOS)

JAN 1 FEB 1 MAR 1 APR 1 MAY 1 JUN 1 JUL 1

HIGH QUALITY 6176 5366 6110 6055 5981 6033 6832

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MEDIUM QUALITY 5154 4670 5088 5586 5413 5605 6270

B. SAIGON WHOLE SALE RICE PRICES (100 KILOS)

MAR 12 MAR 23 MAY 4 JUN 4 JUN 23 JUL 5 JUL 16

NANG HUONG 12300 12700 12300 12800 13500 14000 15200

SOC NAU 8400 8900 8750 9180 9700 10100 11900

NO.1,25PCT BROKENS 7900 8500 8250 8560 9100 9600 11200

IR-8 7700 8100 7800 8000 8600 9300 11000

C. SAIGON RETAIL RICE PRICES (100 KILOS)

	MAR 12	APR 16	MAY 21	JUN 4	JUN 25	JUL 9	JUL 16
NANG GUONG	13200	13500	13500	14000	14500	15600	16200
SOC NAU	9200	9700	9900	10200	10800	11800	12600
NO.1,25PCT BROKENS	8400	8900	9100	9200	9900	10600	11800
US MEDIUM	2100	2500	9800	10000	10500	11000	11800
US LONG	10500	11000	11200	11500	12000	12400	13000

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9. AS OUTLINED REF A CURRENT PADDY AND RICE PRICE HERE IN EXTRAORDINARY UPWARD SPIRAL. BASICALLY THIS IS TAKING FORM OUTLINED REF D FOR IMPORT LEVEL OF 375,000 MT BUT IS MOVING MUCH FASTER THAN EXPECTED UNDER THE PRESSURE OF THE VAT AND REPORTS OF WORLD WIDE TIGHT SUPPLIES WITH CONSEQUENT EXTREMELY HIGH PRICES. PADDY PRICES HAVE INCREASED QUICKLY AS THESE PRESSURES HAVE BEEN ADDED TO ALREADY HAEAVY MERCHANT BIDDING FOR REMAINED 1972/19/73 CROP YEAR STOCKS AGAINST A BACKGROUND OF CONTINUING RUMORS OF RISING WORLD PRICES AND TIGHT SUPPLY. SAIGON WHOLESALE AND RETAIL RICE PRICES HAVE REFLECTED EVEN HIGHER INCREASES. ONGOING RICE PRICE LEVELS WILL ASLO BE SUBJECT OF SEPTTEL WHICH WILL COVER EXPECTED CHANGES IN OFFICIAL PRICES OF US RICE.

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